



CHRISTOPHER J. GARNER
DIRECTOR

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www.lbgo.org

January 20, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Adopt the attached Resolution increasing the maximum allowable natural gas surcharge adjustment for Electric Generation Customers (Schedule 7) to \$0.05/therm; and authorize the City Manager to decrease the surcharge by \$0.05/therm for natural gas service to proposed fuel cell units to be installed at the Aquarium of the Pacific. (Citywide)

DISCUSSION

As a natural gas utility, Long Beach Gas and Oil (LBGO) continually explores new and innovative approaches to reducing greenhouse gas emissions that may impact climate change. As an example, under existing programs, LBGO offers incentives to customers that pursue environmentally-friendly electric generation technology.

The Aquarium of the Pacific (AOP) contacted LBGO for assistance with its proposal to purchase and install natural gas powered fuel cell units to provide the AOP with its base load of electrical power. While AOP expects these fuel cells to lower its electrical costs somewhat and provide an extremely clean source of energy, the project would be economically unfeasible to the AOP without a slight reduction in the cost of natural gas service from LBGO.

In addition to routine gas transmission and service charges, LBGO currently charges a \$0.05/therm surcharge on the natural gas commodity supplied to electric generation customers. On a case-by-case basis, LBGO may increase or decrease this surcharge up to \$0.03/therm, subject to approval of City Council. To achieve economic feasibility for the proposed AOP fuel cell project, a full reduction of the \$0.05 surcharge is necessary. This reduction is recommended to facilitate AOP's utilization of a new, environmentally-friendly technology which will also result in increased natural gas sales for LBGO.

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To allow LBGO greater flexibility to incentivize similarly environmentally-friendly technologies, it is also recommended that the City Council increase LBGO's ability to adjust the current maximum allowable surcharge adjustment to \$0.05/therm, on a case-by-case basis as approved by City Council, for Electric Generation (Schedule 7) customers.

This matter was reviewed by Deputy City Attorney Richard Anthony on December 23, 2014 and by Budget Management Officer Victoria Bell on November 21, 2014.

TIMING CONSIDERATIONS

City Council action is requested on January 20, 2015, in order to implement the change to the Electric Generation (Schedule 7) gas surcharge effective for service received by the AOP on or after February 1, 2015.

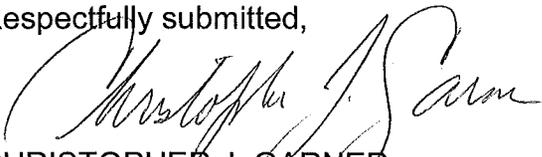
FISCAL IMPACT

This action is anticipated to result in increased natural gas sales revenue for LBGO due to an incremental increase in gas sales to the AOP. There is no local job impact associated with this action

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



CHRISTOPHER J. GARNER
DIRECTOR OF LONG BEACH GAS AND OIL

CJG:LAF:djb

Attachment

APPROVED:



PATRICK H. WEST
CITY MANAGER

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RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF LONG BEACH APPROVING CHANGES TO THE
SCHEDULE OF GAS RATES AND SURCHARGES

WHEREAS, Chapter 15.36 of the Long Beach Municipal Code provides that the rates, services and conditions for natural gas provided by the City's gas utility shall be established by resolution of the Long Beach City Council; and

WHEREAS, Section 1502 of the Charter of the City of Long Beach requires that the rates charged customers for services by the City's gas utility shall be based upon the prevailing rates for similar services and commodities supplied or sold by other utilities in the Southern California area; and

WHEREAS, the gas utility fees and charges, including any changes therein are identified in the rate schedules attached as exhibits hereto; and

WHEREAS, the City Manager has submitted proposed revisions to the gas surcharge rates shown on the current gas rate schedules;

NOW, THEREFORE, the City Council of the City of Long Beach resolves as follows:

Section 1. The attached schedules of gas rates, use priorities, and conditions, and exhibits of gas fees, charges, incentives and related services are hereby approved.

Section 2. The attached schedules of gas rates, use priorities, and conditions, and exhibits of gas fees, charges, incentives, and related services, shall be effective and become operative on February 1, 2015.

Section 3. The City Manager is hereby authorized and directed to implement the gas utility rates, use priorities, conditions, fees and charges hereby adopted on the effective date.

OFFICE OF THE CITY ATTORNEY
CHARLES PARKIN, City Attorney
333 West Ocean Boulevard, 11th Floor
Long Beach, CA 90802-4664

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Section 4. The City Clerk shall certify to the passage of this resolution by the City Council and cause it to be posted in three conspicuous places within the City and it shall take effect as hereinabove set forth.

I hereby certify that the foregoing resolution was adopted by the City Council of the City of Long Beach at its meeting of _____, 2015 by the following vote:

Ayes: Councilmembers: _____

Noes: Councilmembers: _____

Absent: Councilmembers: _____

City Clerk

SCHEDULE 7

ELECTRIC GENERATION

Applicable to service of customer's gas used for the production of electrical energy.

RATES:

- **Daily Service Charge per Customer**

For Customers using less than 3 million therms per year	\$1.6438
For Customers using 3 million therms or more per year	No Charge

- **Transmission Charge (per therm)**

For Customers using less than 3 million therms per year	\$0.0862
For Customers using 3 million therms or more per year	\$0.0312

- **Cost of Gas (per therm)** Non-Core Commodity Charge Plus a Surcharge of \$0.0500

Upon recommendation by the Director of LBGO, the City Manager, subject to approval of City Council, may adjust on a case-by-case basis the amount of the surcharge in the Cost of Gas per therm a maximum of \$0.05 above or below the stated surcharge rate to reflect current changes in market conditions. Notice of the upcoming monthly surcharge amount will be posted at LBGO at least 15 days before the beginning of each month and will also be available from LBGO by telephone or facsimile upon request. The Non-Core Commodity Charge will be posted at LBGO within 10 days after the end of each month and will also be available from the LBGO website www.lbgo.org as well as by telephone or facsimile upon request.

USE PRIORITY:

Customers receiving service under this schedule shall have priority in the use of gas equal to customers served under Rate Schedule 9 and lower than Rate Schedules 1, 2, 3, 4, and 5, when there is curtailment or insufficient gas to supply the demands of all customers, and such customers shall be subject to discontinuance of service without notice in case of curtailment or threatened or actual shortage of gas in favor of customers under Schedules 1, 2, 3, 4, and 5. The City shall not be liable for damages which may be occasioned by the curtailment, discontinuance or shut off of such gas supply or service.

SPECIAL CONDITIONS:

- (1) At all locations where gas is furnished or used under this schedule, the customer must install separate meters to measure gas subject to a different schedule or schedules.
- (2) Gas supplied under this schedule shall be subject to shutoff of service without notice to the customer in the event of nonpayment exceeding 15 days from the date of mailing of a statement to the customer.
- (3) Gas transported and delivered under this schedule shall be used only by the customer.
- (4) Gas transported and delivered under this schedule shall be supplied at standard delivery pressure. Additional costs to serve a customer at higher than standard delivery pressure shall be borne by the customer.
- (5) Gas supplied under this schedule is only available for the electric generation portion of the customer's gas purchases.
- (6) As a condition precedent to service under this schedule when customer elects to procure its own gas supply, a separate Transportation/Service Agreement with the City must be executed. The Transportation/Service Agreement shall specify the terms and conditions applicable to service under this schedule. Any costs including modifications or new facilities that may be required to provide the transportation service shall be paid for in advance by the customer.
- (7) Any additional transmission costs, surcharges or penalties incurred by LBGO on behalf of these customers will be passed through to the customer at cost.
- (8) Customer may elect to purchase all of its gas commodity from the LBGO if customer does the following: a) maintains a deposit with LBGO for the remaining term of the Agreement in an amount equal to the average of two months of gas commodity and transportation charges, b) customer advises LBGO 10 days before the initial month that the customer elects to purchase all of its gas from LBGO for the remaining term of the Agreement, and c) customer pays as agreed upon receipt of the monthly bill and is not delinquent in any prior month's billing.
- (9) The Cost of Gas is defined in Special Condition 3 under Gas Rate Schedule 4 and the Non-Core Commodity Charge is determined as set forth in Special Conditions 4 and 5 of Gas Rate Schedule 4.

For other applicable Special Conditions, refer to Special Conditions 6, 7, and 8 of Rate Schedule 1.